Loudoun County Department of Planning

Route 28 Keynote Employment Policies Comprehensive Plan Amendment
CPAM 2009-0001

Potential Fiscal Impacts to the Route 28 Tax District

Discussion Paper 3 of 6

March 16, 2010

Introduction

On February 3, 2009, the Board of Supervisors initiated a Comprehensive Plan Amendment, CPAM 2009-0001 Route 28 Keynote Employment Policies, to consider retaining or changing Revised General Plan Keynote Employment land use policies for a specified area within the Route 28 Corridor. On December 15, 2009, the Board of Supervisors approved a workplan for the CPAM that builds upon the significant amount of data and public input gathered through the various Route 28 Corridor activities and initiatives since January 2008. These include the Belfort Park Task Force efforts, the Route 28 Existing Conditions Report, the Route 28 Business Outreach Project, and the Route 28 Market Study. All documents related to the CPAM, including numerous maps of the Route 28 Corridor, are available at www.loudoun.gov/route28.

Phase I of the workplan calls for active participation of Route 28 Stakeholders as work products are developed. To this end, a series of Discussion Papers have been developed on identified topic areas:

- **Economic Development in the Route 28 Corridor**
- **Potential Fiscal Impacts to Loudoun County**
- **Potential Fiscal Impacts to the Route 28 Tax District**
- **Potential Impacts to the Route 28 Corridor Transportation Network**
- **Housing in the Route 28 Corridor**
- **Energy Efficiency and Green Building in the Route 28 Corridor**

Purpose of Discussion Papers

The discussion papers are not intended to be an exhaustive discussion of the topic nor present final conclusions. They are intended to help establish the framework for stakeholder discussions at the upcoming facilitated workshops. Each paper provides a general background on the topic area, describes three general land use concepts that explore development patterns that may be desirable in the corridor, and discusses the advantages and disadvantages associated with each concept. A listing of likely pros and cons for each concept is also included. Although the paper can be viewed as a stand-alone document, a reading of all the discussion papers will provide a more thorough understanding of policy options and stakeholder concerns regarding the Route 28 Corridor. Additional background data and policy or implementation options may be developed and/or refined based on Stakeholder input as the Comprehensive Plan Amendment proceeds.

Background Discussion

Loudoun County, in partnership with Fairfax County, formed the Route 28 Highway Transportation Improvement District (commonly referred to as the Route 28 Tax District) on December 21, 1987 to finance Route 28 surface transportation improvements. Under Virginia law such a District may be formed only upon the joint petition of owners of at least 51 percent of the land area in each county which is within the boundaries of the proposed District and which has been zoned or is used for commercial or industrial purposes. The Route 28 Tax District was formed upon landowner petition to accelerate planned highway improvements proposed by the State which relied primarily on slower pay-as-you-go financing from the Northern Virginia region's share of the State Primary Road Fund allocation. Under the terms of agreement with the State, the District funds 75% of defined improvements and the State funds the remaining 25% from monies received through the State Primary Road Fund allocation formula.

The Route 28 Tax District, administered by the Route 28 District Commission appointed annually by the Board of Supervisors of both Loudoun and Fairfax Counties, may subject the owners of commercial and industrial property within the District to a maximum additional tax assessment of $0.20 per $100 of assessed value to pay for the road improvements and debt service on bonds issued on behalf of the Tax District. This rate remained constant until 2009 when it was changed to $0.18 per $100. The road improvements planned for the District were grouped into three phases - Phases I, II and III. Improvements completed for Phase I included widening the existing road from two to six lanes between Route 7 and Interstate 66 and upgrading three major intersections.

Phase II improvements are nearly complete and included the construction of a total of ten grade-separated interchanges, five in each County, and the widening of Route 28 from six lanes to eight. Completed interchanges in Loudoun County are located at Old Ox Road (Route 606), Sterling Boulevard (Route 846), Waxpool/Church Roads (Route 625), Nokes Boulevard (Route 1793), and a partial interchange at Innovation Avenue (Route 209).

Phase III, the final phase of construction under the original scope of approved improvements, involves widening Route 28 from six to eight lanes between Sterling Boulevard and Route 50. The Public Private Transportation Act (PPTA) contractor (Clark Construction Group and Shirley Contracting Company, LLC) is not under contract to complete this project and nothing formal beyond the approved scope of improvements, such as cost, funding, and timing, has been established with VDOT. The PPTA contractor is completing additional improvement projects to parallel roads in the Tax District that are not being funded with District special tax revenue. Once necessary interchanges and portions of the parallel roads are completed, all traffic signals along Route 28 will be removed and the road will become a limited access highway. Funding has not yet been secured for Phase III.

Tax District revenue is used to secure long term financing issued by the Commonwealth Transportation Board (CTB) or the Fairfax County Economic Development Authority (EDA) on behalf of the District. In August 2002, Fairfax County, Loudoun County, the CTB and the EDA entered into contractual agreements to provide for the construction of the Phase II improvements. Funding totaling $201.7 million was made available from a joint financing plan that included CTB funds and bond funds issued by the Fairfax County EDA. The financing plan for the remaining Phase II improvements (the final four interchanges at Willard Road, Frying Pan Park Road, CIT/Innovation Drive and Nokes Boulevard) was approved in October 2006. The project, estimated to cost approximately $111 million, was funded by a mixture of grant money, a loan from the State Transportation Partnership Opportunity Fund (TPOF), issuance of additional Route 28 District revenue bonds, and use of surplus District tax revenues.

As of March 2010, there is $271,548,667 in outstanding principal due on Tax District bonds. Loudoun and Fairfax County are both required to pledge their moral obligation to pay on the Tax District bonds issued by the EDA. Table 1 below shows the history of debt issued by these two entities on behalf of the Tax District. The Route 28 Tax District will expire in 2037 unless all obligations of the District have not been paid and fulfilled.

Table 1: Route 28 Tax District Debt Issuance History

Year	*CTB*	*EDA*		*Outstanding Principal*
1998	$138,483,372		New money for projects	$0 (refunded by 1992)
1992	$111,520,000		Refunded outstanding 1998 bonds to achieve savings	$0 (refunded by 2002)
2002	$120,643,667		$36M new money for projects and $84,643,667 to refund outstanding 1992 bonds	$90,853,667
Subtotal	*$174,483,372*		**new money only*	*$90,853,667*
2003		$33,375,000	New money for projects	$30,275,000
2004		$57,410,000	New money for projects	$57,410,000
2007		$41,505,000	New money for projects	$41,505,000
2008		$51,505,000	New money for projects	$51,505,000
Subtotal		*$183,795,000*		*$180,695,000*
CTB and EDA Total		$358,278,372		$271,548,667

Source: Loudoun County Department of Management & Financial Services, March 2010

Table 2 provides a history of assessed values and revenues for Fairfax and Loudoun Counties, as well as the Tax District's annual debt service obligations. The total assessed value of commercial and industrial properties within the Loudoun County's portion of the Route 28 Tax District has grown significantly since its inception in 1987, from approximately $1 billion in 1988 to almost $5 billion in January 2010. Because District tax revenues are based on assessed property values, the corresponding revenue increases generated from Loudoun County properties over the same general time period grew from $2.1 million to $9 million (exceeding $10 million in 2008 and 2009). As reported for January 1, 2010 and for the first time since the creation of the Tax District, the assessed values of properties in Loudoun County exceeded those in Fairfax County. In 2010, the amount of debt service due on these outstanding bonds is $16.2 million. This amount increases to $19.3 million in 2016 and remains at that approximate level until the bonds are paid off in 2037. Following Table 2 is a chart that compares the year to year changes in assessed value of Tax District property in Loudoun County and Tax District property in Fairfax County.

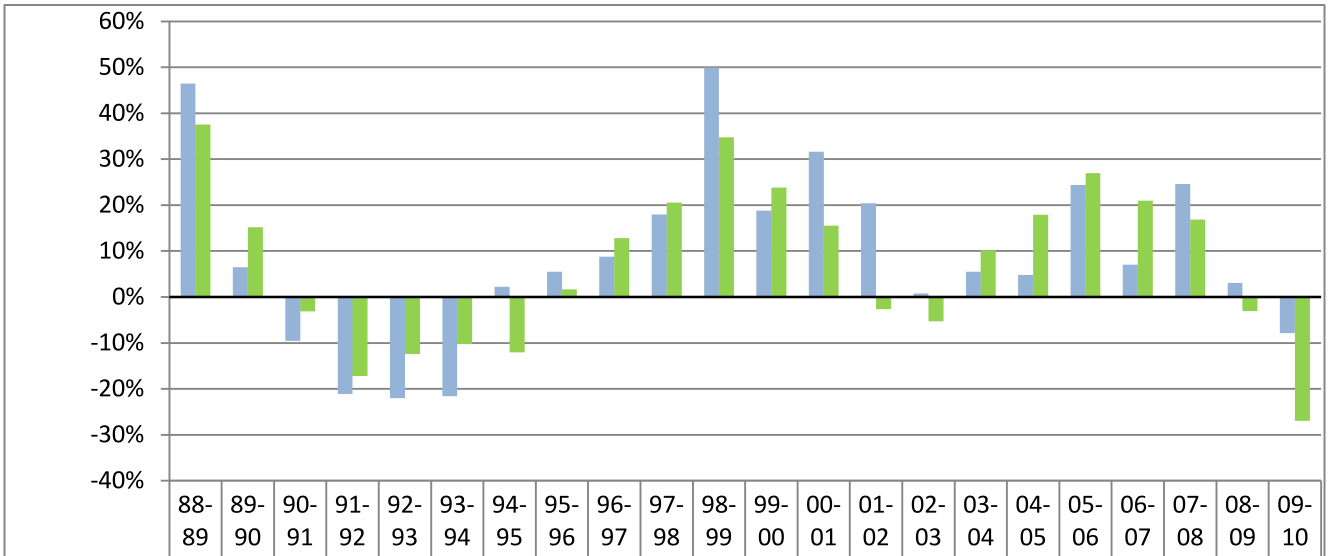
At various times, the Tax District has experienced both positive and negative annual cash flow. In those years that the Tax District had an annual deficit, the Commonwealth fronted its 25% share of the cost of improvements so that there was sufficient cash to meet debt service payments, and there was subsequent reconciliation to balance the 25%/75% split.

Table 2. Route 28 Tax District Current Bonds, 1988 - 2010

	ASSESSED VALUE ($)			*DISTRICT TAX REVENUE ($)*			*ANNUAL DEBT SERVICE ($)*			*EXCESS REVENUE (DEFICIT)*
	Loudoun	*Fairfax*	*Total*	*Loudoun*	*Fairfax*	*Total*	*CTB Debt Service*	*Fairfax EDA Debt Service*	*Total Debt Service*	
1988	1,068,000,000	1,339,000,000	2,407,000,000	0	0	0	0	0	0	
1989	1,564,000,000	1,842,000,000	3,406,000,000	2,102,000	2,630,000	4,732,000	4,289,430	0	4,289,430	442,570
1990	1,665,000,000	2,122,000,000	3,787,000,000	2,970,000	3,598,000	6,568,000	12,058,860	0	12,058,860	(5,490,860)
1991	1,506,000,000	2,055,000,000	3,561,000,000	2,986,000	3,913,000	6,899,000	12,062,020	0	12,062,020	(5,163,020)
1992	1,188,000,000	1,701,000,000	2,889,000,000	3,781,000	3,883,000	7,664,000	12,060,920	0	12,060,920	(4,396,920)
1993	926,000,000	1,490,000,000	2,416,000,000	2,228,000	3,260,000	5,488,000	8,804,183	0	8,804,183	(3,316,183)
1994	726,000,000	1,337,000,000	2,063,000,000	2,018,000	3,466,000	5,484,000	8,805,433	0	8,805,433	(3,321,433)
1995	742,000,000	1,176,000,000	1,918,000,000	2,661,000	3,216,000	5,877,000	8,801,683	0	8,801,683	(2,924,683)
1996	783,000,000	1,196,000,000	1,979,000,000	1,770,000	2,506,000	4,276,000	8,802,933	0	8,802,933	(4,526,933)
1997	852,000,000	1,349,000,000	2,201,000,000	1,630,000	2,220,000	3,850,000	8,641,398	0	8,641,398	(4,791,398)
1998	1,005,000,000	1,626,000,000	2,631,000,000	1,892,000	2,976,000	4,868,000	8,805,398	0	8,805,398	(3,937,398)
1999	1,507,000,000	2,191,000,000	3,698,000,000	2,473,000	3,236,000	5,709,000	8,803,778	0	8,803,778	(3,094,778)
2000	1,791,000,000	2,713,000,000	4,504,000,000	3,220,000	4,331,000	7,551,000	8,804,538	0	8,804,538	(1,253,538)
2001	2,358,000,000	3,135,000,000	5,493,000,000	4,274,000	5,564,000	9,838,000	8,802,676	0	8,802,676	1,035,324
2002	2,839,000,000	3,053,000,000	5,892,000,000	5,157,000	6,141,000	11,298,000	8,805,126	0	8,805,126	2,492,874
2003	2,860,000,000	2,891,000,000	5,751,000,000	5,741,000	7,112,000	12,853,000	4,656,294	0	4,656,294	8,196,706
2004	3,018,000,000	3,185,000,000	6,203,000,000	5,719,000	5,782,000	11,501,000	7,523,176	3,127,943	10,651,119	849,881
2005	3,164,000,000	3,756,000,000	6,920,000,000	5,956,000	6,909,000	12,865,000	7,531,145	3,676,137	11,207,282	1,657,718
2006	3,936,000,000	4,770,000,000	8,706,000,000	7,465,000	7,527,000	14,992,000	7,528,145	4,169,445	11,697,590	3,294,410
2007	4,212,000,000	5,771,000,000	9,983,000,000	8,717,000	10,400,000	19,117,000	7,529,845	4,169,445	11,699,290	7,417,710
2008	5,249,000,000	6,743,000,000	11,992,000,000	10,303,000	12,546,000	22,849,000	7,524,883	6,034,672	13,559,555	9,289,445
2009	5,411,000,000	6,535,000,000	11,946,000,000	10,428,000	13,339,000	23,767,000	7,530,713	7,582,839	15,113,551	8,653,449
2010*	4,985,000,000	4,774,000,000	9,759,000,000	9,183,000	11,703,000	20,886,000	7,528,150	8,679,995	16,208,145	4,677,855

Source: Loudoun County Department of Management & Financial Services, March 2010
*2010 data is estimated pending final audited figures.

Chart 1. History of Year To Year Percentage Changes in Assessed Values for Tax District Properties



	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Loudoun	46%	6%	-10%	-21%	-22%	-22%	2%	6%	9%	18%	50%	19%	32%	20%	1%	6%	5%	24%	7%	25%	3%	-8%
Fairfax	38%	15%	-3%	-17%	-12%	-10%	-12%	2%	13%	21%	35%	24%	16%	-3%	-5%	10%	18%	27%	21%	17%	-3%	-27%

Source: Loudoun County Department of Management and Financial Services, March 2010
Changes from 09-10 are estimated.

Property owners within the Route 28 Tax District choosing to rezone commercial- or industrial-zoned property to residential uses have on several occasions been allowed to buy out of the District through a one-time payment. This payment is representative of the present value of the future special improvements taxes estimated by the County to be lost as a result of the change. The sum is calculated using a formula agreed upon by Loudoun and Fairfax Counties, the Route 28 District Commission, and the Route 28 Tax District Advisory Board. The buy-out formula assesses a one-time payment based on a parcel's proportionate share of the total amount remaining to be paid on the District's debt service obligation. It is based on two factors: a base share (the parcel's current value as a percentage of the total value of the District property within the County) and a growth factor that captures the implicit development potential of the parcel which will be withdrawn from the District's tax base. Examples of past projects that have participated in the buy-out provision are Victoria Station, University Center and the Dulles Town Center. In Loudoun County, residential projects have paid over $1 million to buy out of the Tax District. See Attachment 1 for more information regarding projects in Loudoun County that have utilized the buy-out provision.

Any changes to existing land use policies in the Route 28 Corridor should further the County's goals for the Route 28 Tax District. The Revised General Plan supports the continued growth of the Tax District, both for the District's contribution to the transportation improvements to Route 28 and to the economy of the County[1]. The Plan recognizes that further planning attention and study, in terms of transportation

[1] *Revised General Plan*, Chapter 4, Route 28 text

improvements, land use and design, is essential for the corridor to achieve these goals[2]. The Plan also states that the County should vigorously attempt to locate regionally- and nationally-oriented office centers on Route 28, consistent with the Keynote Employment planned land use designation and limits residential development within the Route 28 Tax District to a few specific areas – portions of the Old Sterling planning area, the Oak Grove area, the Eden Tract and Loudoun Village properties, areas designated as high density residential on the Planned Land Use Map, and within the Urban Center[3]. Additional information regarding the enabling legislation and amendments governing the Route 28 Tax District as well as transportation improvements and funding associated with the District is available in the Route 28 Tax District Existing Conditions Report dated November 26, 2008.

Public Input *(Route 28 Business Outreach Project, Belfort Park Task Force and Route 28 Market Study[4])*

Landowners within the Route 28 corridor recognized that timely transportation improvements are vital to its economic development. Stakeholders acknowledge that commercial growth in the corridor is generating a sufficient amount of special tax revenues to meet debt obligations under the Route 28 Tax District. However, stakeholders suggested identifying mixed-use locations that include residential uses. Residential in mixed-use developments may contribute to or support employment and business development by providing greater opportunities to incorporate workforce housing and a variety of residential types in a vibrant setting; quality-of-life factors that employers look for in site selection and the decisions that employees make on whether or not they want to move to a new area. Stakeholders were clear that the planning of residential uses should only be considered if it is determined that buy-out of residential in the Route 28 Tax District by developers will not detrimentally impact the ability of the County to meet its debt obligations.

The *Route 28 Corridor Analysis of Development Potential* by Fulton Research, Inc. (August 27, 2009) found that if existing land use policies and zoning regulations remain, the corridor will continue to develop haphazardly resulting in underused and undervalued land and significantly reducing the market

[2] *Revised General Plan*, Chapter 4, Business Land Use and Corridor Development

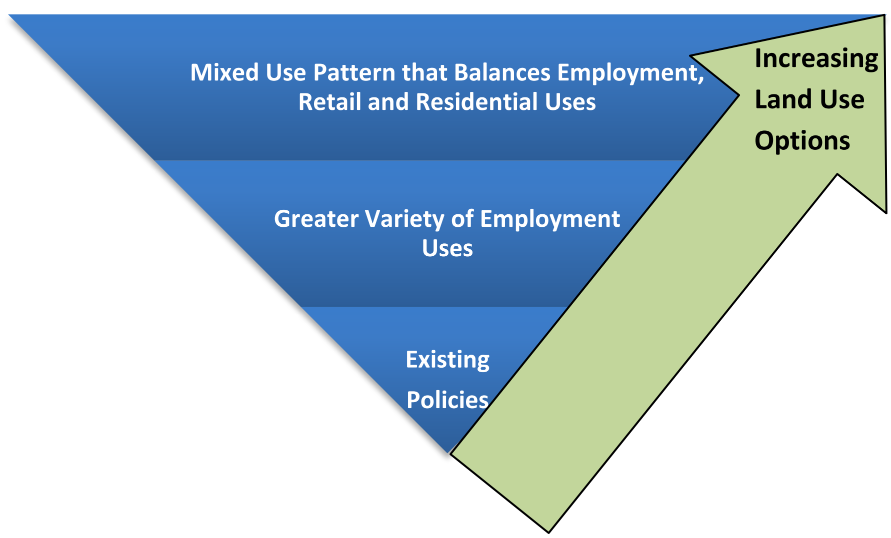
[3] *Revised General Plan*, Chapter 6, Keynote Employment Centers text and Residential Policy 3

[4] During March and April, 2009, County staff conducted one-on-one interviews with Route 28 Corridor stakeholders to obtain their perceptions of the corridor, its current state of development, challenges for the future, and ways the County could improve the corridor's development potential. Additionally, stakeholder comments made during a Board of Supervisors-sponsored Breakfast Forum, also held in April 2009, supplemented comments received during the interviews. County staff documented the results of these efforts in the *Route 28 Business Outreach Project Results Report*, June 2, 2009. Following the Outreach effort, the County contracted with a private consultant to perform a Route 28 market analysis to assess the corridor's potential for Class A office space under current conditions and recommend a vision for maximizing the economic development potential of the overall corridor. The consultant presented the results of the market analysis in the *Route 28 Corridor Analysis of Development Potential for Class A Office Space*, August 27, 2009. Both of these reports are available at www.loudoun.gov/route28.

potential for future Class A office uses. According to the market analysis, today's Class A office tenants prefer mixed-use settings. It also suggested that planning for residential elements will need to be done in a way that maximizes the non-residential development potential of sites and promotes employment uses in the vicinity in order to preserve the tax base for the Route 28 Tax District.

Analysis of Possible Land Use Concepts

In this paper, three potential land use concepts are compared to provide a preliminary discussion regarding potential fiscal impacts on the Route 28 Tax District from a variety of land development patterns. The three concepts provide a continuum of increasing land development options, as illustrated in the figure below, and include: *Existing Policies Retained in the Route 28 Corridor* (Concept 1), *Route 28 Includes a Greater Variety of Employment Uses (No Residential)* (Concept 2), and *Route 28 Corridor Policies Emphasize a Mixed Use Pattern that Balances Employment, Retail and Residential Uses* (Concept 3). These concepts are not mutually exclusive and are intended to build upon each other. Additional background data and policy or implementation options, including a more rigorous fiscal analysis, may be developed and/or refined as the Comprehensive Plan Amendment proceeds. This additional analysis would be critical if Concept 3 is chosen. See Discussion Paper #2, *Potential Fiscal Impacts to County* for information on how the proposed land uses concepts impact the County's overall fiscal position.



Concept 1: Existing Policies Retained in the Route 28 Corridor

The current land use pattern envisioned for the Route 28 Corridor - Keynote Employment[5] and Destination Retail[6] - establishes the County's vision for the development of large-scale corporate headquarters and premiere office developments at overall FARs of between 0.4 to 1.0 that is supported by a variety of employment supportive and destination retail uses. If the current Keynote Employment vision can be achieved in the corridor, then significant tax revenues to the Route 28 Tax District could be generated. As shown in Table 3, high-density office (defined in this paper as 4 to 7 stories) has the highest average assessed value per square foot, followed by retail and low-density office (1 to 3 stories). This benefit is further compounded by the fact that constructing high-density office also allows for greater Floor Area Ratios (FARs) to be achieved on properties, thereby increasing the overall amount of square feet that will be constructed along the corridor. While retail also has high average assessed values, this type of use is largely driven by the amount of population and employees in a specific catchment area, thereby limiting the overall amount of certain types of retail development along the corridor.

Table 3. Average Assessed Values of Commercial Property in the Route 28 Tax District by Occupancy Code, 2010

*Use Type**	*Number*	*Average Value ($/SF)*	*Average Size of Use (SF)*
Office (4 to 7 Stories)	25	$257	126,209
Retail	183	$201	24,333
Office (1 to 3 Stories)	110	$147	36,643
Hotel	23	$145	68,241
Industrial	677	$123	11,934
Flex	138	$90	50,897

Source: Loudoun County Departments of Economic Development and Planning. Assessment Data from the Office of the Assessor (March 1, 2010). Notes are available under Footnote 7.

[5] Keynote Employment Centers are 100-percent office or research-and-development centers that generate high-traffic volumes and are supported by ancillary retail and personal services for employees. They have high visibility along major corridors, their structures accented with heavily landscaped greens and tree-line boulevards, and reflect the County's growing prominence as a global crossroads for business. Residential development is not permitted in these areas.

[6] The Route 28 corridor also contains three Destination Retail Overlays which provide an additional development option for properties located within these areas. Destination retail is comprised of large scale retail uses that demand a regional market, and rely heavily on automobile access. They are intended to be located outside of residential areas along planned and future principal arterial corridors where the County's transportation network can accommodate auto intense retail uses.

[7] The information summary reflects current values by property type and is intended to serve as base line data to provide some comparison of value for different product types. Categories* for this analysis were grouped as follows: Office (one to seven stories) includes office buildings (OCC B) and banks (OCC H); Flex includes flex warehouses (OCC I) and datacenters; Industrial includes warehouse (OCC A), light industrial (OCC 8), medium/heavy industrial (OCC 9) and commercial condos (OCC W); Retail includes restaurants (OCC D), fast food restaurants (OCC E), grocery stores (OCC F), automotive buildings (OCC G), auto sales (OCC J), department stores (OCC L), shopping centers (OCC M), retail stores (OCC N), and gas & go (OCC Z); hotel includes hotel/motel (OCC Z). Office condos are not included in these calculations. Additionally, because the majority of the mixed-use

However, the Route 28 Corridor has not been developed to date with the highest and best uses envisioned by the County's comprehensive plan. Notwithstanding its Keynote Employment Center designation, the corridor has evolved into a diverse mix of uses with an overall 0.24 FAR[8]. Unless the office market in the County significantly changes or the County intervenes with significant incentives to achieve this vision, the existing development pattern seen in the corridor today could continue in the near term. However, with regards to the Route 28 Tax District, this development pattern, along with the rising value of existing property, has over the years resulted in a substantial increase in the total assessed value of property as well as revenue generated by the District (Table 2 and Chart 1). These tax revenues have been sufficient to meet debt service obligations since 2002. As a result, under this concept, no direct negative impacts to the Route 28 Tax District are anticipated regardless of whether the County's Keynote Employment vision is realized or existing development patterns continue.

The predominant uses that are currently in the corridor have the lower average assessed values per square foot. With large building footprints and surface parking lots, they are also the more land-intensive types of uses, thereby limiting how much development can actually occur on a particular property.

Pros

- No change required
- No change in planned land use, therefore no change in anticipated tax revenues for the Route 28 Tax District
- Assessed values within the Route 28 Tax District have grown significantly under currently development patterns
- Existing Keynote Employment vision promotes development of large-scale office uses which, if achieved, could result in substantial tax revenues to the District

Cons

- Outdated land use policies and zonings may be preventing the corridor from reaching its greatest commercial development potential
- Even greater tax revenues could result from increased and/or higher value development (missed opportunity)

projects approved in Loudoun County have not yet been built, a similar analysis for that type of development is not feasible at this time.

[8] According to an 2008 analysis of the occupancy codes determined by the County Assessor's Office, the predominant use of developed land within the Tax District is industrial, representing approximately 17% of the land area, followed by miscellaneous commercial and improvements (13%), office (10%), retail/commercial services (10%), civic and institutional uses (6%), and residential (5%). Approximately 3,140 acres, or 39% of the District, is classified as vacant land (*Route 28 Tax District Existing Conditions Report, November 26, 2008, pg. 17*).

Concept 2: Route 28 Includes a Greater Variety of Employment Uses (No Residential)

This concept revises the land use policies guiding the development of the Route 28 Corridor to allow for a greater variety of office settings and employment uses. Additional residential development would not be included. The *Route 28 Market Study* (2009) found that existing land use policies and zonings were preventing the corridor from reaching its greatest commercial development potential[9]. If County policies are revised to better reflect current and future office market conditions, and if increased and/or higher value development results, then the Route 28 Tax District could see greater tax revenues. This, in turn, could enable the Route 28 Tax District to pay off all existing obligations of the District sooner than expected (i.e., 2037), reduce the current tax rate of $0.18 per $100 of assessed value further, complete the last phase of planned improvements earlier than expected, or, with landowners consent, fund additional improvements to Route 28.

No negative fiscal impacts to the Route 28 Tax District are anticipated under this concept. It is not clear, however, whether Concept 3, mixed use with residential, would result in greater overall commercial development that, in turn, might offset any negative impacts associated with increased residential development in the District.

Pros

- Could stimulate commercial development in the corridor
- Greater tax revenues to the Route 28 Tax District could result from higher assessed commercial property values

Cons

- Even greater tax revenues could result from increased and/or higher value development (missed opportunity)

Concept 3: Route 28 Corridor Policies Emphasize a Mixed Use Pattern That Balances Employment, Retail and Residential Uses

This concept revises the land use policies guiding development of the Route 28 Corridor to allow for a greater variety of mixed-use residential and non-residential settings. The consultants for the *Route 28 Market Study* (2009) believed that this concept would maximize the Route 28 Corridor's commercial development potential[10]. While Route 28 should remain a predominantly employment corridor, variety was key to this vision and the following types of settings were suggested: (1) a single user, park-life office campus, which could be secured (similar to the existing Keynote Employment vision); (2) Class A office building clusters, including at a minimum retail and restaurant amenities, that are situated in close proximity to other uses such as hotel, residential and cultural (Loudoun Tech Park is an example of this); (3) Class A office buildings in a walkable large-scale, mixed-use setting including retail, residential, hotel uses, etc. (such as a town or lifestyle center); and (4) buildings around one of the County's metro

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[9] Fulton Research, Inc. *Route 28 Corridor Analysis of Development Potential for Class A Office Space*. August 27, 2009. Page 1.
[10] Ibid. Page 38.

stations[11]. If this concept leads to more intense and higher value development along the corridor, greater tax revenues to the Route 28 Tax District could result through higher assessed property values and provide the District with more options (see discussion for Concept 2).

The most significant uncertainty associated with this concept is the potential impacts of increased residential development on the Tax District. While the current Route 28 Tax District enabling legislation does not preclude additional residential development to occur, it specifically excludes residentially-zoned land from Tax District payments. As a result, rezoning commercial or industrial property to a residential zoning category removes the property from the Tax District and may result in an increased tax burden on other landowners within the District. The buy-out provisions associated with residential uses are designed to protect the Tax District from the loss of future special improvements taxes that would result from the change. However, assessments of taxable commercial/industrial property at build out may generate a greater tax base for the Route 28 Tax District than what may be received as part of a buy-out provision for residential. Additionally, the current buy-out calculations do not reflect the costs of debt that has not yet been issued, so the required buy-out payments do not reflect the incursion of any future debt by the District into the calculation, including that which may be needed for Phase III improvements. Nevertheless, if this concept leads to greater overall commercial development than would otherwise be achieved, these potentially negative impacts on the District may be mitigated.

The buy-out provision is creating a challenge for the District because it does not provide guidance on how to address vertically mixed-use development which may include both taxable commercial/industrial and non-taxable residential uses. The buy-out formula is based on removing entire parcels zoned for residential from the Tax District. It is important to note that the buy-out formula is based on the assessed value of the property at the time of the buy-out and not the number of residential units approved in the rezoning. Once property is zoned residential, no additional buy-out provisions are required regardless of changes in the amount of residential units.

Pros

- Could stimulate commercial development in the corridor
- Greater tax revenues to the Route 28 Tax District could result from higher assessed commercial property values

Cons

- Removing property from the Tax District for residential uses could increase the tax burden on other landowners within the District and the counties
- Buy-out provisions do not include the incursion of future debt by the District into the calculation, including Phase III improvements
- The portion of the Virginia State Code that created the Tax District, along with Tax District documents, does not address vertically-integrated mixed-use development on parcels that include both taxable commercial/industrial and non-taxable residential uses.

[11] Fulton Research, Inc. *Route 28 Corridor Analysis of Development Potential for Class A Office Space*. August 27, 2009. Pages 2 and 3.

ATTACHMENT 1

Route 28 Buy-Out History

Calendar Year	*Approval Date*	*Project Name*	*Application #*	*Buy-out Amount*
2007	7/17/2007	Gatherings at Cascades	ZMAP 2005-0043	$22,496
2007	6/19/2007	Victoria Station	ZMAP 2005-0039	$190,686
1999	11/17/1999	Odell Property/Oakgrove Town Homes	ZMAP 1998-0006	$57,332
1995	2/1/1995	Beard Property	ZMAP 1991-0007	$75,720
1995	1/18/1995	Dominion Station/Peace Plantation II	ZCPA 1993-0005	$43,242
1994	12/21/1994	Peace Plantation I	ZMAP 1993-0003	$170,143
1994	10/19/1994	Lewis Property	ZMAP 1993-0007	$193,049
1993	8/4/1993	University Center (G, J, P)	ZMAP 1993-0001	$1,984
1993	1/6/1993	University Center (G, J, K, M, P)	ZMAP 1992-0004	$185,033
1992	10/7/1992	Springlake	ZMAP 1991-0004	$98,000
1992	1/8/1992	Dulles Town Center	ZMAP 1990-0014	$20,548
1990	11/13/1990	Dominion Station/Peace Plantation II	ZMAP 1989-0001	$19,108
TOTAL				*$1,077,341*

Sources: Loudoun County Department of Management and Financial Services, August 2009. Loudoun County Land Management Information System (LMIS) and proffer statements.

Notes:

1) Buy-out calculations are based on the assessed value of land, not units. A buy-out is required when land is rezoned to residential use, even if the total unit count associated with a project stays the same or decreases.
2) The applicant for Victoria Station proffered an additional $39,000 beyond the buy-out amount, to reflect the future costs of a forthcoming bond issuance in 2008.
3) ZMAP 1989-0001 was superseded by ZCPA 1993-0005 (Dominion Station/Peace Plantation II).
4) List above does not include Christian Fellowship Church. The conditions of its special exception (SPEX 1994-0011) stated that the church was to pay the Rt. 28 Tax District Special Assessment until the present value of future taxes had been paid. Calendar Year 2002, Approval Date 1/18/1995, $308,502.